

# MONTANA Economy at a Glance

JANUARY 2009

## EMPLOYMENT BY INDUSTRY

(Does not include self-employed or agricultural employment)

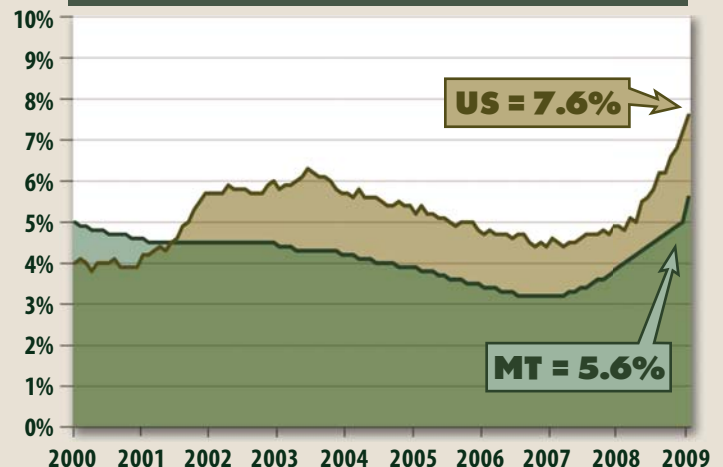
Industry Employment (in thousands)	Jan.(P) 2009	Dec. 2008	Net Change	Percent Change
Total Non-Agricultural	445.8	444.7	1.1	0.2%
Natural Resources & Mining	8.4	8.6	-0.2	-2.3%
Construction	27.1	28.5	-1.4	-4.9%
Manufacturing	19.3	19.3	0.0	0.0%
Trade, Transportation, & Utilities	90.4	91.6	-1.2	-1.3%
Information	7.2	7.3	-0.1	-1.4%
Financial Activities	21.6	21.6	0.0	0.0%
Professional & Business Services	39.5	39.8	-0.3	-0.8%
Education & Health Services	62.9	61.7	1.2	1.9%
Leisure & Hospitality	60.6	60.6	0.0	0.0%
Other Services	16.9	16.9	0.0	0.0%
Total Government	91.9	88.8	3.1	3.5%

(P) denotes preliminary figures

Montana's seasonally-adjusted non-agricultural payroll employment increased by 1,100 jobs (+0.2%) from December 2008 to January 2009. The largest gain occurred in the Total Government sector, with 3,100 jobs added (+3.5%). Education and Health Services also showed gains with 1,200 new jobs (+1.9%) over the month.

## UNEMPLOYMENT RATE

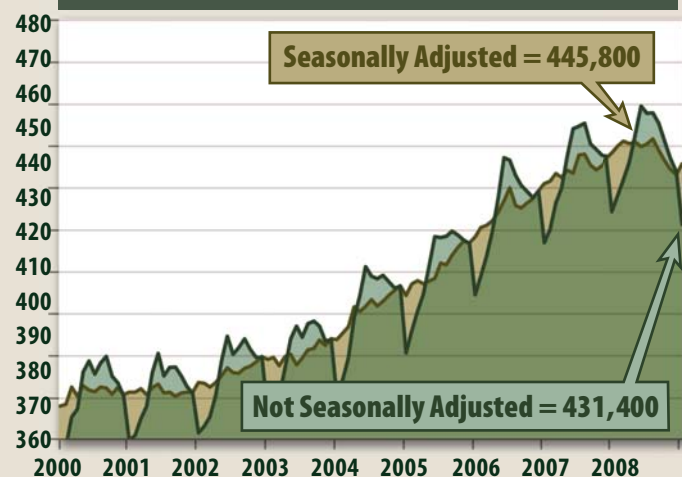
Seasonally Adjusted



Montana's seasonally-adjusted unemployment rate increased by 0.6% over the month, reaching 5.6% for January 2009. The national rate also rose, reaching 7.6% for January. Please note: the above graph reflects revised population controls, seasonal factors, and model reestimation for 2004-2008.

## NON-FARM EMPLOYMENT

In Thousands



Research and Analysis Bureau

"Montana's Workforce Information Center"

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P.O. Box 1728 Helena, MT 59624-1728

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# Entrepreneurial Activity in Montana and the United States

By Aaron McNay, Economist



**In the midst of a deep national recession**, it can be easy to forget that the United States still has one of the most vibrant and dynamic economies in the world. At the root of the U.S. economy's dynamic nature is the expansive range of opportunities available for new business and entrepreneurs. No one can predict where the next big idea will come from. However, if history is any indication, it will likely come from small businesses and entrepreneurs. In the constant struggle to compete with established businesses, entrepreneurs must innovate, experimenting with new products, services, and ways of doing business; this leads them to become the driving force behind economic growth. As such, entrepreneurial activity can be an important indicator of a region's economic well-being. The question, then, becomes: How does entrepreneurial activity in Montana stack up to the national activity level?

## Entrepreneurship Rate

One method of determining the scope of entrepreneurial activity in an area is to develop an entrepreneurship rate. Simply defined, an entrepreneurship rate is the number of new business births

for every 1,000 individuals in the labor force. Using such an estimate can provide an objective measure of entrepreneurial activity across regions and time.



The business birth definition used in this article only measures unique business births in Montana. This means that a new McDonald's would not be included, because other McDonald's restaurants already exist in Montana. However, a fast food business that opens its first restaurant in the state would be included in the estimates. To qualify as a new business birth, a business must have at least one employee in the third month of a quarter and zero employment in the third month of the previous four quarters. These criteria eliminate seasonal businesses from showing up in the estimates, but would count businesses that have reopened after shutting down for more than a year. Also note that new businesses that have no employees are not counted.

### Business Births and Entrepreneurial Rates in Montana

The Quarterly Census of Employment and Wages (QCEW) program provides a direct count (rather than estimates) of the number of businesses in Montana, as well as the number of people employed at each establishment. Because it is a direct count, it is the most accurate data available. The tradeoff, however, is that the most current data is always from two quarters past. Therefore, the business birth estimates for this study cover the time period from the first quarter of 2007 to the second quarter of 2008, which is the most recent data available. Table 1 displays new business births, the number of people these businesses employed, and the estimated entrepreneurial rates during this period.

**Table 1. Entrepreneurial Activity in Montana for 2007 and 2008**

Year	2007				2008		Average
Quarter	1	2	3	4	1	2	
Business Births	972	1004	825	763	813	885	877
Employment	3,051	3,226	2,319	2,121	2,734	2,638	2,682
Labor Force	499,231	500,893	502,720	502,549	504,297	504,308	502,333
Entrepreneurship Rate	1.9	2.0	1.6	1.5	1.6	1.8	1.7

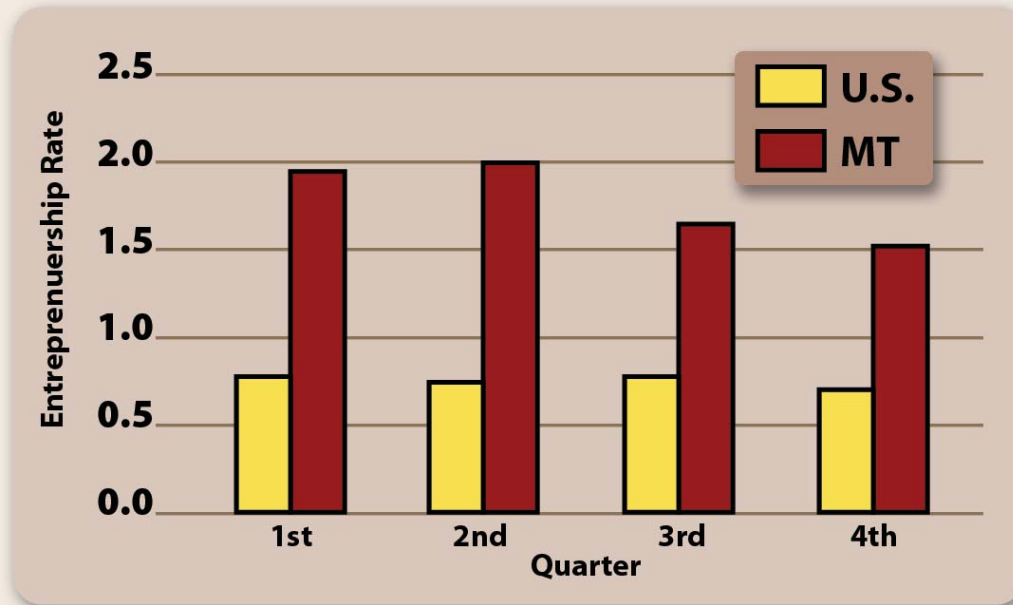
*Source: Quarterly Census of Employment and Wages, Montana Department of Labor and Industry Research and Analysis Bureau*

### Comparisons of Entrepreneurial Rates

Examined by themselves, the Montana entrepreneurship rates provide little insight. However, these rates can be compared to entrepreneurship rates developed for other regions and periods. The Bureau of Labor Statistics (BLS) developed national entrepreneurship rates for a recent article that examined business births and deaths in the United States<sup>1</sup>. The BLS rates covered the time period from 1994 to 2007. The overlapping estimates for the four quarters of 2007 were used to compare the entrepreneurship rate in Montana to the national rate. The results of this comparison are displayed in Figure Two. Based on the developed results, Montana's entrepreneurship rates were more than double the national rates for every quarter in 2007.



**Figure Two. Entrepreneurship Rates in Montana and the United States in 2007**



Source: Bureau of Labor Statistics and Montana Department of Labor and Industry Research and Analysis Bureau

While it is valuable to examine Montana's position relative to the rest of the country, being able to compare Montana's performance over time would provide an indication of changes in entrepreneurial activity. Fortunately, another report prepared entrepreneurship rate estimates for areas in Montana during other periods.

In 2004, Advanced Research Technologies (ART) published a report that examined regional economic development in the 1990s and provided entrepreneurship rates for each of the examined regions<sup>2</sup>. Four of the regions in the ART report were in Montana. The availability of estimates for areas in Montana made it possible to compare the entrepreneurship rates of Montana in the past with the estimates for 2007 and 2008 (Table 3).

**Table 3. Advanced Research Technologies Entrepreneurship Rate Estimates, 1990 - 2001**

Area	Average Quarterly Entrepreneurship Rate
Glendive, MT	0.7
Kalispell, MT	1.5
Billings, MT	1.1
Great Falls, MT	0.9
Montana Average	1.1
Weighted Montana Average	1.2
National Average	0.8

Source: Advanced Research Technologies

Based on the results developed by ART, three out of the four regions examined in Montana had entrepreneurship rates larger than the national average. These four areas provided a statewide entrepreneurship rate average of 1.1. When the average of these four counties was weighted, relative to the size of the respective county labor force estimates, the average increased to 1.2, indicating that Montana's largest areas were also





the fastest growing. Both of the rates for Montana were significantly higher than the national average entrepreneurship rate of 0.8.

### Results Comparisons

Comparing the three sets of estimates, it seems that Montana has enjoyed an above-average amount of entrepreneurial activity, which has increased over time. During the 1990s, Montana had an entrepreneurship rate slightly above 1.0. This rate has increased considerably since then, so by 2007 the entrepreneurship rate had reached a high of 2.0. All of these rates exceed the national estimates developed by the two other studies. The national estimates developed by the BLS never exceeded 1.0, and had an average of 0.83. The same holds for the ART estimates, which estimated a national average entrepreneurship rate of 0.8. These results indicate that for nearly 20 years, Montana has had a significantly above average level of entrepreneurial activity.

The natural question this information poses is: Why is there more entrepreneurial activity in Montana than in the U.S. as a whole? Answering such a question with any certainty is difficult, but some hypotheses can be made. One contributing factor might be that Montana provides an atmosphere that encourages new business activ-

ity. The state's business friendly tax environment tends to support this idea<sup>3</sup>. Another factor may be the educational level of Montana's workforce. With 90% the population having at least a high school diploma and 34.3% having some type of post-secondary degree, Montana enjoys a highly educated population.<sup>4</sup> However, explaining the strong entrepreneurial activity in Montana is not a simple task.

### Conclusion

Montana is a state where entrepreneurial activity thrives and is encouraged. In the 1990s, Montana had an average entrepreneurship rate that was 30% larger than the national average of the United States. By 2007, this divergence in entrepreneurship rates had increased significantly. This strength does not appear to be a statistical anomaly either. Two separate reports, using different data sources, found above average entrepreneurship rates for Montana. In addition, the Ewing Marion Kauffman Foundation found similar results when they prepared their 2008 New Economy Index<sup>5</sup>. In terms of entrepreneurial activity, the 2008 New Economy Index ranks Montana first in the country. This strong entrepreneurial activity is undoubtedly one of Montana's most important economic strengths, and ensuring that it is maintained is crucial to the state's economic future.

### Works Cited:

<sup>1</sup>Sadeghi, Akbar "The births and deaths of business establishments in the United States", *Monthly Labor Review*, Bureau of Labor Statistics, December 2008, pp. 3 - 18

<sup>2</sup>Camp, Michael "The Innovation-Entrepreneurship NEXUS" Advanced Research Technologies, LLC 2005, available online at: [www.sba.gov/advo/research/rs256tot.pdf](http://www.sba.gov/advo/research/rs256tot.pdf)

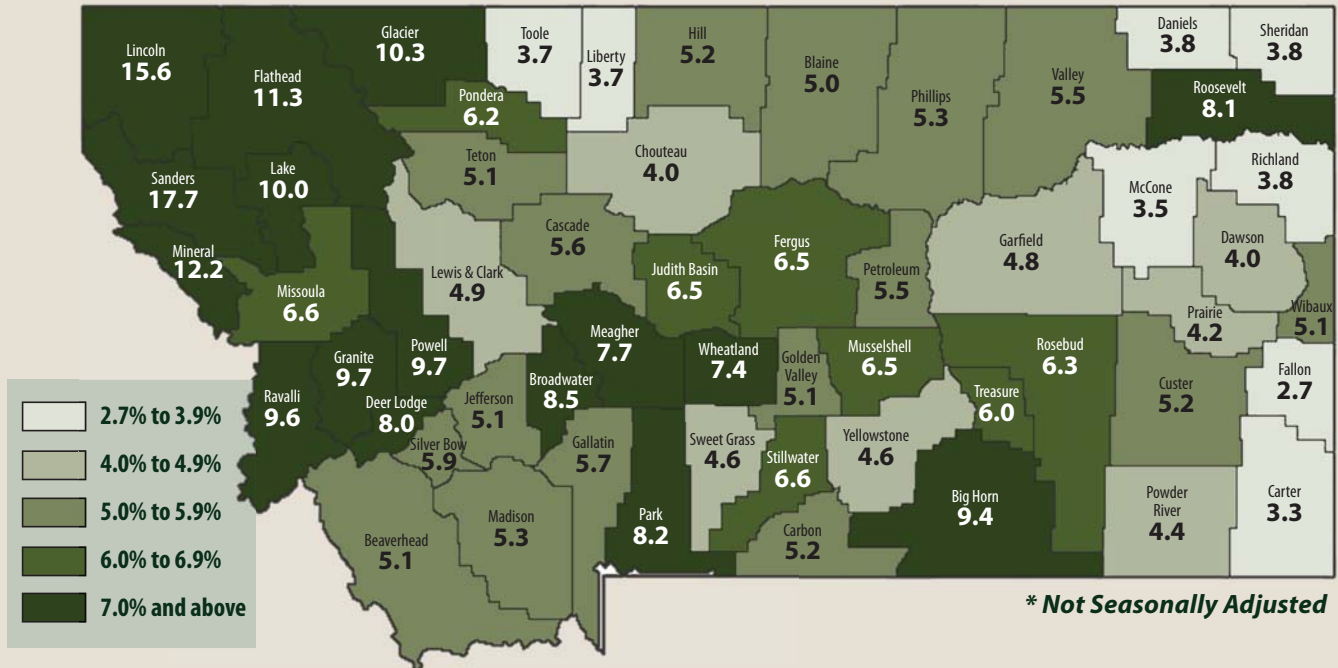
<sup>3</sup>Robyn, Mark "2009 Facts & Figures, How Does Your State Compare?", Tax Foundation, 2009, available online at: [http://www.taxfoundation.org/files/f&f\\_booklet\\_20090224.pdf](http://www.taxfoundation.org/files/f&f_booklet_20090224.pdf)

<sup>4</sup>American Community Survey, United States Census Bureau, 2005-2007 Average

<sup>5</sup>Atkinson, Robert and Scott Andes, "The 2008 State New Economy Index" Ewing Marion Kauffman Foundation, November 2008, available online at: [http://www.kauffman.org/uploadedfiles/2008\\_state\\_new\\_economy\\_index\\_120908.pdf](http://www.kauffman.org/uploadedfiles/2008_state_new_economy_index_120908.pdf)

# County Unemployment Rates\* - January 2009

**Montana Average Rate: 6.7%**



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